

Farmland

IN PERSPECTIVE

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U.S. soybean domestic use and exports projected to increase through 2026

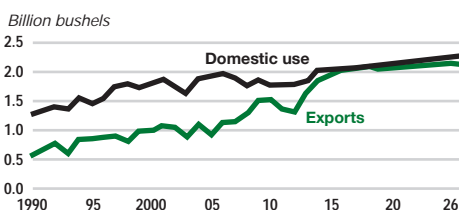
The agricultural baseline projects released earlier this year by the U.S. Department of Agriculture indicate strong demand for soybean meal and oil during the next decade. These gains reflect low expected feed prices, increasing livestock production, and steady demand by foreign importers.

Strong global demand for soybeans – particularly in China – boosts U.S. soybean trade over the projection period. While soybean exports are projected to rise, competition from South America – primarily Brazil – will lead to a reduced U.S. share of global soybean trade.

U.S. soybean meal use is projected to increase about 1% per year over the baseline period. Domestic soybean meal consumption, which accounts for roughly 75% of total disappearance, is projected to increase at just over 1% per year.

U.S. soybean oil use is also projected to rise about 1% per year over the projection period. Soybean oil exports are projected to rise only modestly due to increased competition.

U.S. soybean production and exports through 2026



Note: 2017-2026 data are projections. Source: USDA, Economic Research Service Agricultural Projections data.

Key insights on managing farmland for optimal income and return on investment

by Gary Schnitkey

For the last several decades farmland ownership has provided excellent returns which have been comparable to stock investments. Returns will likely be variable in the future, yet farmland likely will remain a good investment.

Gaining optimal returns from farmland will require good management. This management assures that returns to landowners are in line with current agricultural returns and that their farmlands' productivity is maintained.

Fluctuating Returns

Agricultural returns are variable and, if anything, have become riskier in the past decade. In 2006, corn began to be used extensively in making ethanol, increasing not only the price of corn but also the prices of many crops. See *Figure 1*. Between 1974 and 2005, corn prices averaged \$2.33 per bushel. Between 2006 and 2013, corn prices averaged \$4.70 per bushel. In recent years, prices have fallen below \$4.00 per bushel. Similarly, soybean prices averaged \$5.96 per bushel from 1975 to 2005 and \$10.96 per bushel from 2006 to 2013.

Figure 1. Prices of major crops grown in the United States

	Period					
	1975-2005	2006-2013	2014	2015	2016P	2017P
Corn (\$/bu.)	2.33	4.70	3.70	3.61	3.40	3.30
Soybeans (\$/bu.)	5.95	10.91	10.10	8.95	9.60	9.35
Wheat (\$/bu.)	3.25	6.25	5.99	4.89	3.85	4.00
Cotton (\$/lb.)	0.59	0.70	0.66	0.62	0.67	0.64
Rice (\$/cwt.)	7.66	14.07	13.40	12.10	10.50	10.70

Source: Prices are market year average prices for the nation as reported by the United States Department of Agriculture. Values for 2016 and 2017 are projections contained in March 2016 reports.

Continued on page 2

Soil fertility. Fertility can be monitored in several ways. The most accurate method is to periodically test the soil's phosphorus and potassium levels. Over time, farmers should be applying enough fertilizer to maintain desirable levels.

Soil pH. Many soils require the periodic addition of lime to maintain soil pH at an optimal level. Soil testing and lime application planning should be built into the plan.

Structures for reducing soil erosion. Soil erosion concerns are widespread among farmers. Many farmers have installed erosion control structures, such as terraces, strip-cropland, and windbreaks. These structures are essential for maintaining soil fertility and crop yields. Farmers should inspect these structures regularly and repair them when necessary.

they are being properly maintained. Moreover, tillage practices should be monitored, particularly on heavy soils. Some form of conservation management should be followed on highly erodible soils.

Buildings and other structures. Inspect these to assure that they are being properly maintained and repaired when necessary.

In addition, some improved investments may increase both current and future farm income. For example, investing in irrigation systems, soil conservation structures, and other farm improvements can help farmers reduce risk and increase productivity. Farmers should consider these investments as part of their overall farm management plan.

should be monitored to assure that the landowner receives an optimal return on investment. In addition, the landowner needs to be monitored to assure that it is being properly maintained. Some landowners choose to manage farmland themselves, for others, use of professional management services will greatly aid in managing the farm and obtaining optimal returns.

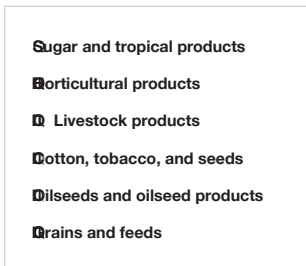
Dr. Gary Scrimley
 Director, Farm Management
 Extension Program



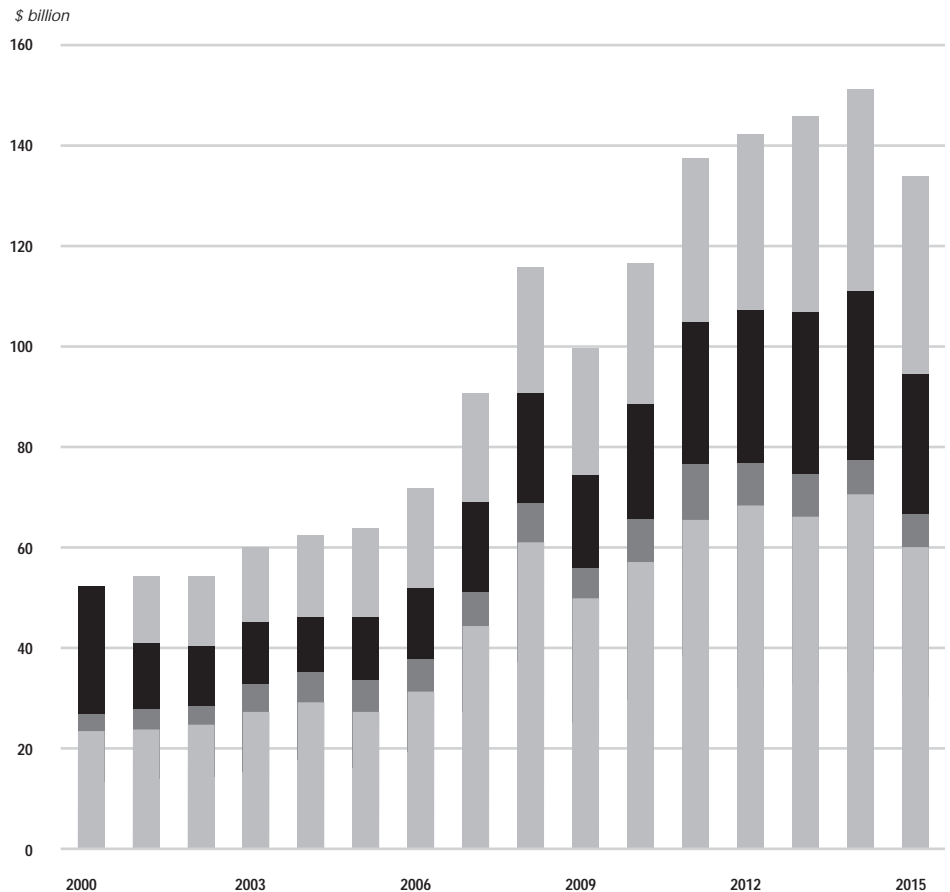
U.S. agricultural exports value lowest since 2010

The value of U.S. agricultural exports declined in 2015, reversing five consecutive years of export growth, according to the U.S. Department of Agriculture. Since 2000, developing countries—led by China—had been the main drivers of U.S. export gains.

Horticultural exports were the only product group to grow in 2015, up about \$266 million, which increased its share of total U.S. agricultural exports to about 25%. In fact, horticultural products became the largest share of any group, surpassing livestock products, grains/feeds, and oilseed/products, which had combined losses in 2015 that accounted for nearly all of the decreases in export values.



U.S. agricultural exports, 2000–15



Source: USDA, Economic Research Service using data from U.S. Department of Commerce, U.S. Census Bureau, Foreign Trade Database.

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